

FISCAL NOTE

Bill #: HB0131

Title: Tobacco settlement proceeds use

Primary

Sponsor: Betty Lou Kasten

Status: Second reading as amended

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
State Special Revenue	7,859,493	15,661,796
Federal Special Revenue	15,116,133	15,248,050
Revenue:		
General Fund	\$23,771,600	\$11,763,600
State Special Revenue	9,657,400	21,645,400
Federal Special Revenue	15,116,133	15,248,050
Net Impact on General Fund Balance:	\$23,771,600	\$11,763,600

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The first distribution of tobacco settlement proceeds in the amount of \$10,194,000 and the second distribution, in the amount of \$27,235,000 is anticipated to be received by the State of Montana by June 30, 2000. The third distribution, in the amount of \$29,409,000, is anticipated to be received by June 30, 2001.
2. The general fund will receive the first \$20 million from the tobacco settlement.

(continued)

3. The next \$8 million in tobacco settlement funds will be deposited to a state special revenue fund to be used for state match for the Children's Health Insurance Program (CHIP) and costs due to outreach.
4. The remaining \$9.4 million during FY00 in estimated proceeds (or amounts above the estimated tobacco settlement proceeds contained in assumption 1) will be allocated as follows: (a) 40% (\$3.8M) to the general fund, up to \$12 million for each fiscal year; (b) 10% (\$943K) additional for the CHIP program, up to \$3 million for each fiscal year; (c) for the Montana Comprehensive Health Association (MCHA) 3.4% (\$320K), up to a maximum of \$1 million for each fiscal year; (d) 36% (\$3.4M) for local health and prevention grants and programs, up to a maximum of \$10.8 million each fiscal year; and (e) 10% (\$1M) or the balance of any payments received to the health and long-term care trust fund established in section 2 of this bill.
5. The distribution for FY01 will be as defined in assumption 4. The amounts are as follows: (a) \$11.8M, (b) \$2.9M, (c) \$1 M, (d) \$10.6M, and (e) \$3.1M.
6. The CHIP and outreach revenue will be \$8M plus \$942,900 in FY00 and \$2,940,900 in FY01 for a grand total of \$11,883,800.
7. The amounts in assumption 1, represent the "base payment" from the tobacco settlement. Those amounts must increase at least by the greater of 3% or the increase in the consumer price index, but they can decrease by any percentage reduction in tobacco sales. The industry is projecting a 2 – 3% drop in sales caused by this suit, and the increase in tobacco prices. Thus, the above revenue figures are considered useable and conservative.
8. All funds received in the state special revenue funds will be appropriated in the 2000-2001 biennium, and all funds appropriated for the Children's Health Insurance Plan (CHIP) and outreach, will be expended, with the exception of the proceeds deposited to the health and long-term care trust fund.
9. The federal government's claim to reimbursement of some of the tobacco settlement funds has not advanced to the extent that an assumption can be made, and is therefore not considered in this fiscal note.
10. A companion bill, SB0081, establishes CHIP. Section 6 of HB0131, creates a new distribution of funds if SB0081 does not pass. This fiscal note assumes the passage of SB0081, and therefore uses the distribution methodology outlined in Section 1 and shown in assumptions 4 and 5.
11. Section 2 creates a state special revenue (SSR) account to receive a portion of the settlement funds, to be used for health and long-term care needs. The expenditure of the principle requires approval of two-thirds of each house of the Legislature. It is assumed that the required vote will not be received for expenditure in the 2000-2001 biennium.
12. Due to timing and uncertainties, interest income has not been calculated for any of the funds. The health and long-term care SSR account retains it's own interest income.
13. A general fund reversion at the end of the 2000-2001 biennium is not contemplated in this fiscal note.

Children's Health Insurance Plan:

14. It is estimated that over 10,000 children will be covered by the CHIP program. Costs are estimated at \$13,207,900 per year. This does not include the outreach costs.
15. Administration (personal services, operating expenses, and equipment), of the program is allowed at a maximum of 10% of CHIP benefits per federal regulations. Administration costs are estimated at \$1,374,300 in FY00, and \$1,296,100 in FY01.
16. Four new FTE are needed: 3 grade 16 positions (1 data manager, 1 nurse, 1 program manager), and 1 grade 10 (clerical), at an annual cost of \$133,900.
17. The federal matching rate for CHIP will be 80.51%/19.49% (federal/state) in FY00, and 80.95%/19.05% in FY01.

(continued)

18. The total federal CHIP grant will be \$11,740,200 in FY00 and \$11,741,000 in FY01. Therefore, the state match required, at the rates contained in assumption 16, are \$2,842,088 in FY00 and \$2,763,015 in FY01.

Outreach (Medicaid):

19. An estimate of 3,275 children will be added to Medicaid due to outreach. The cost for FY00 will be \$4,678,400 (3,375 X \$1,386 – average Medicaid cost) and for FY01 \$4,818,700 (3,390 X \$1,421 – average FY00 Medicaid cost times 2.5% increase).
20. The federal/state split for FY00 is 72.16%/27.84%, and 72.78%/27.22% in FY01.
21. The total state funds match amount needed for CHIP and outreach costs in FY00 is \$4,144,467 and \$4,074,650 in FY01. The amount allocated for CHIP and outreach from tobacco settlement revenues in FY00 is \$4,942,900 and \$6,940,900 in FY01. In each year, the excess revenues not needed for state CHIP and outreach match flow to the health and long-term care trust fund. These amounts are \$798,433 in FY00 and \$2,866,250 in FY01.

Local Health and Prevention Grants:

22. The program will have operating costs of \$3,277,540 in FY00, and \$10,476,340 in FY01 to fund the following programs: community-based prevention programs in all counties; expand prevention education in all public schools; tobacco cessation programs; ongoing prevention education and awareness campaign; enhance existing health programs which address tobacco-related diseases; and, special programs for Native Americans and smokeless tobacco users.
23. Three new FTE (1 program manager – grade 16; two public health educators – grade 15), will be needed for program administration, at a cost of \$108,000 per year, along with equipment costs of \$8,900 in FY00 and \$2,900 in FY01.

FISCAL IMPACT:

Department of Public Health and Human Services

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
Children's Health Insurance Plan:		
FTE	4.00	4.00
<u>Expenditures:</u>		
Personal services	\$133,900	\$133,900
Operating expense	1,229,600	1,158,600
Equipment	10,800	3,600
Benefits	<u>13,207,900</u>	<u>13,207,900</u>
TOTAL	\$14,582,200	\$14,504,000
<u>Funding:</u>		
State Special Revenue (02)	\$2,842,000	\$2,763,000
Federal Special Revenue (03)	<u>11,740,200</u>	<u>11,741,000</u>
TOTAL	\$14,582,200	\$14,504,000

(continued)

Revenue:

State Special Revenue (02)	\$2,842,000	\$2,763,000
State Special Revenue (02-flows to health and long-term care trust fund)	\$798,433	\$2,866,250
Federal Special Revenue (03)	<u>11,740,200</u>	<u>11,741,000</u>
TOTAL	\$15,380,633	\$17,370,250

Outreach (Medicaid):Expenditures:

Benefits	\$4,678,400	\$4,818,700
----------	-------------	-------------

Funding:

State Special Revenue (02)	\$1,302,467	\$1,311,650
Federal Special Revenue (03)	<u>3,375,933</u>	<u>3,507,050</u>
TOTAL	\$4,678,400	\$4,818,700

Revenue:

State Special Revenue (02)	\$1,302,467	\$1,311,650
Federal Special Revenue (03)	<u>3,375,933</u>	<u>3,507,050</u>
TOTAL	\$4,678,400	\$4,818,700

Local Health and Prevention Grants:

FTE	3.00	3.00
-----	------	------

Expenditures:

Personal Services	\$108,000	\$108,000
Operating expenses	3,277,540	10,476,340
Equipment	<u>8,900</u>	<u>2,900</u>
TOTAL	\$3,394,440	\$10,587,240

Funding:

State Special Revenue (02)	\$3,394,440	\$10,587,240
----------------------------	-------------	--------------

Revenue:

State Special Revenue (02)	\$3,394,440	\$10,587,240
----------------------------	-------------	--------------

Health and Long-Term Care Trust FundRevenue:

State Special Revenue (02)	\$999,474	\$3,117,354
----------------------------	-----------	-------------

(note: This does not include the \$798,433 in FY00 and \$2,866,250 in FY01 of excess CHIP and outreach funds that will flow to the trust fund as a result of this bill.)

State Auditor**Montana Comprehensive Health Association (MCHA)**Expenditures:

Operating	\$320,586	\$999,906
-----------	-----------	-----------

Funding:

State Special Revenue (02)	\$320,586	\$999,906
----------------------------	-----------	-----------

Revenue:

State Special Revenue (02)	\$320,586	\$999,906
----------------------------	-----------	-----------

LONG-RANGE IMPACTS:

Over the next 26 years, the State anticipates collecting over \$800 million as a result of the tobacco settlement.